

## Message Text

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ORIGIN EA-09

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DRAFTED BY EA/TB:JAKLEMSTINE:KAD

APPROVED BY EA:LEEDMOND

EB/FTD:JWILLIAMS (SUBSTANCE)

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P 292308Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK PRIORITY

C O N F I D E N T I A L STATE 206807

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: ETRD, TH

SUBJECT: THAI REQUEST FOR INCREASE IN COTTON TEXTILE  
QUOTAS

REF: BANGKOK 14369

1. DEPUTY ASSISTANT SECRETARY EDMOND PRESENTED AUGUST 29  
OUR NEGATIVE RESPONSE TO THAI NOTE OF JULY 8 REQUESTING  
SOME MODERATE INCREASES IN COTTON TEXTILE CATEGORIES.  
(TEXTS OF BOTH NOTES BEING FORWARDED SEPTEL.)

2. IN EXPLAINING OUR POSITION TO MINISTER SUDHEE OF THAI  
EMBASSY, EDMOND EMPHASIZED THE MATTER HAD BEEN GIVEN  
CONSIDERABLE ATTENTION AND THOUGHT. HE NOTED PREVIOUS  
CONVERSATION WITH AMBASSADOR ANAN ON OUR DESIRE TO BE  
RECEPTIVE TO THAI NEEDS, ESPECIALLY IN ECONOMIC SPHERE.  
THIS HAD BEEN AN IMPORTANT CONSIDERATION IN THE SUBSTI-  
TUTION OF COTTON FOR RICE IN THE INDONESIAN PL 480 PROGRAM  
IN ORDER NOT TO DISTURB TRADITIONAL THAI COMMERCIAL MARKET.

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3. EDMOND THEN REFERRED TO LONG STANDING IMPASSE ON

COTTON CONTRACT DELINQUENCIES WITH THAILAND IN CONTRAST TO PROGRESS MADE IN OTHER EAST ASIAN COUNTRIES. HE STRESSED IT WOULD BE DIFFICULT FOR THE USG TO INCREASE THE

THAI QUOTA IN LIGHT OF THE FACT OTHER COUNTRIES AND US PRODUCERS WERE PURCHASING AND UTILIZING HIGH PRICE COTTON. THIS GAVE THE THAI A COMPETITIVE COST ADVANTAGE. HE EXPRESSED REGRETS THAT THOSE MILLS' MEETING THEIR CONTRACT OBLIGATIONS WOULD SUFFER AS WELL AS THE DELINQUENTS BUT WE WERE UNABLE TO FIND ANOTHER ALTERNATIVE. IF THE RTG COULD DEVISE SOME ALLOCATION SYSTEM, THE USG WAS PREPARED TO RE-EXAMINE ITS POSITION.

4. MINISTER SUDHEE PROMISED TO REPORT THE US POSITION TO HIS GOVERNMENT. HE NOTED THE RTG CONSIDERED THE CONTRACT PROBLEM A PURELY BUSINESS MATTER TO BE RESOLVED BY ARBITRATION OR OTHER LEGAL PROCEDURES. THE MINISTER BELIEVED THE DELINQUENTS WERE NOW ONLY A SMALL PERCENTAGE OF TOTAL SALES.

5. RE PARA 4 REFTTEL, WE DO NOT REGARD OUR REFUSAL TO ACCEDE TO THAI REQUEST AS PUNATIVE IN SENSE THAT THAI PEROGATIVES UNDER TEXTILE AGREEMENT ARE IN NO WAY BEING REDUCED. OUR POSITION, HOWEVER, DOES AFFECT ALL THAI MILL EXPORTING TO THE U.S., NO MATTER WHETHER OR NOT THEY HONORED THEIR CONTRACTS. WITHOUT COOPERATION OF RTG, WE KNOW NO WAY TO BE SELECTIVE, E.G., TAKING ACTIONS WHICH WILL AFFECT ONLY DEFAULTING MILLS. RTG DOES, HOWEVER, HAVE AUTHORITY TO DISTRIBUTE TEXTILE QUOTAS ONLY TO MILLS WHICH HAVE FULFILLED COTTON CONTRACT. WE HAVE SUGGESTED THIS APPROACH TO RTG ON SEVERAL OCCASIONS, WITHOUT EVER HAVING RECEIVED A RESPONSE. INGERSOLL

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